

Message Text

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DEPT PASS EXIMBANK FOR THOMAS MORAN FROM BOGOSIAN

E.O. 11652: NA

TAGS: BEXP, EFIN KU, KE

SUBJ: POSSIBLE KUWAITI INTEREST IN FINANCING KENYA PIPELINE

REF A: MORAN-BOGOSIAN LETTER OF APRIL 15, 1975.

B:BOGOSIAN-MORAN LETTER OF MAY 7, 1975.

C: CASEY-STOLTZFUS LETTER OF MAU 7, 1975.

SUMMARY: REFLETTERS DISCUSSED POSSIBLE KUWAITI INTEREST IN PARTICIPATING IN PROJECTS INVOLVING EXIMBANK FINANCING. REF C REQUESTED EMBASSY ADVISE EXIMBANK ABOUT WHETHER THERE ANY INTEREST IN MOMBASSA-NAIROBI PIPELINE PROJECT. ALAHLI BANK OF KUWAIT MAY BE INTERESTED IN KENYA PROJECT AND PERHAPS MORE SIGNIFICANTLY IN LONG RUN APPEARS OTHER BANKS HERE LIKELY TO BECOME INCREASINGLY INTERESTED IN SIMILAR PROJECTS IN FUTURE. END SUMMARY.

1. WE HAVE DISCUSSED CHAIRMAN CASEY'S LETTER WITH CHAIRMAN KUWAIT METAL PIPES INDUSTRIES, DEPUTY DIRECTOR LUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT AND WITH KQY OFFICIALS AT THREE LOCAL BANKS. KMPI CHAIRMAN, FAWZI AL-SALEH, FAMILIAR WITH MOMBASSA-NAIROBI PIPELINE PROJECT AND HE WOULD LIKE TO WINE PIPELINE CONTRACT IF POSSIBLE. HE HAS BEEN IN TOUCH WITH LIMITED OFFICIAL USE

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KENYAN OFFICIALS. HE NOTED THAT IF EXIM CREDITS WERE AVAIL-

ABLE, KMPI MAY CONSIDER BUYING AMERICAN STEEL RATHER THAN JAPANESE. ALTHOUGH THIS NOT DIRECTLY RELATED WITH POINTS MENTIONED IN REF C, BELIEVE EXIM SHOULD KEEP THIS IN MIND.

2. KUWAIT FUND OFFICIAL TOLD US THAT HE ALSO FAMILIAR WITH PROJECT. APPARENTLY IT HAS BEEN BROUGHT TO FUND'S ATTENTION PREVIOUSLY. HOWEVER, THERE VIRTUALLY NO CHANCE KUWAIT FUND WILL BE INTERESTED IN PARTICIPATING IN FINANCING THIS PROJECT.

3. OFFICIALS AT NATIONAL BANK OF KUWAIT AND INDUSTRIAL BANK OF KUWAIT EXPRESSED GENERAL INTEREST IN PARTICIPATING IN MEDIUM TERM FINANCING TOGETHER WITH EXIM. HOWEVER, NBK OFFICIAL NOTED HIS BANK NOT YET PROPERLY STAFFED TO DO SO. NONETHELESS, IT RECENTLY HAS HIRED AMERICAN AND IS TAKING OTHER STEPS THAT WILL ENABLE IT TO GIVE SERIOUS CONSIDERATION TO SUCH PROPOSALS IN NEAR FUTURE. AT IBK, WE WERE TOLD THAT BANK WOULD BE INTERESTED IF THERE ANY KUWAITI INVOLVEMENT IN PROJECT. OFFICIAL OF THAT BANK URGED EXIM TO CONSIDER FINANCING PROJECTS HERE AS WAY TO ESTABLISH RELATIONSHIPS IN KUWAIT. WHEN EMBOFF SAID HE DOUBTED NEED FOR EXIM FINANCING EXISTED, BANK OFFICIAL VIOLENTLY DISAGREED, CITING LARGE NUMBER AMBITIOUS PROJECTS CURRENTLY UNDERWAY OR PLANNED. HE CLAIMED LOCAL BANKS CANNOT SATISFY PROJECTED LOCAL DEMAND FOR MEDIUM TERM CREDIT. IBK OFFICIAL ALSO RAISED POSSIBILITY OF JOINT FINANCING WHEREIN EXIM COULD HANDLE DOLLAR FINANCING AND KUWAITI FINANCIAL INSTITUTIONS COULD HANDLE KUWAITI DINAR FINANCING IN WHAT WOULD BE DOUBLE CURRENCY JOINT FINANCING PACKAGE.

4. MOST FIRM EXPRESSION OF INTEREST CAME FROM MANAGER OF ALAHLI BANK OF KUWAIT WHICH, AS NOTED REF B, HAS PARTICIPATED PREVIOUSLY IN EXIM-LED OR OTHER US-BANK-LED DEALS IN MIDDLE EAST. ALAHLI MANAGER, PHILIPPE DUJARDIN SAID, "WE WOULD LIKE TO BE ONE OF THE WHEELS OF THE CAR, BUT NOT THE FRONT WHEEL," HE MEANT THAT HE WOULD PREFER TO BE PART OF A CONSORTIUM THAT INCLUDES INSTITUTIONS FAMILIAR TO HIM SUCH AS UBAF (OF WHICH ALAHLI IS ONE OWNER) OR BAI. LATTER BANK IS CHARTERED IN LUXEMBOURG AND BASED IN PARIS. KFAED DIRECTOR GENERAL ABD AL-LATIF AL-HAMAD IS CHAIRMAN, AND MANAGER TRUFFERT AND DEPUTY MANAGER RAMBAUD ARE ALUMNI OF FRENCH AMERICAN BANK OF NEW YORK. LIMITED OFFICIAL USE

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ACCORDING TO DUJARDIN, BAI TOP OFFICIALS FAMILIAR WITH DEALS SUCH AS THAT BEING PROPOSED IN REF C.

5. COMMENT: ALAHLI INTEREST IN PARTICIPATING IN KENYA PROJECT COULD BECOME QUITE STRONG IF UBAF AND/OR BAI INVOLVED. THEREFORE, EXIM MAY WISH PURSUE THIS ANGLE. ALTHOUGH NEITHER NBK NOR IBK IN POSITION TO JOIN EXIM ON KENYA PROJECT, REMARKS BY KEY OFFICIALS SUGGEST STRONGLY THAT BOTH INSTITUTIONS WISH

TO MAINTAIN DIALOGUE ON POSSIBLE JOINT FINANCING WITH EXIM.
CLOSER PROJECT IS TO KUWAIT--EITHER BY INVOLVING KUWAITI COMPANIES
OR INSTITUTIONS OR KD FINANCING--OR TO ARAB WORLD, MORE LIKELY
LOCAL FINANCIAL INSTITUTIONS WILL WISH GET INVOLVED.

6. EMBASSY BELIEVES THAT RESPONSE SHOWN BY BANKERS TO RECENT
EXIM SUGGESTIONS HAS BEEN ENCOURAGING. ON OTHER HAND, GOK
INSTITUTIONS INCLUDING KFAED SEEM LESS LIKELY TO BE ABLE TO MOVE
QUICKLY. EMBASSY BELIEVES WE SHOULD CONTINUE TO DISCUSS
POSSIBILITIES WITH THEM, BUT IN SHORT RUN, THERE MAY BE MORE
OPPORTUNITIES FOR COOPERATION WITH SELECTED LOCAL BANKS. EVEN
WITH THEM, HOWEVER, SUBSTANTIAL AMOUNT OF SPADE WORK REMAINS TO
BE DONE. AT ONE POINT, PROBABLY EARLY NEXT FALL, BELIEVE
VISIT OF EXIM OFFICIALS WOULD BE TIMELY. AT THAT TIME VISITORS
COULD MAKE RELATIVELY DETAILED EXPLANATIONS ABOUT HOW COOPERATIVE
FINANCING COULD OCCUR. MEANWHILE, WE SHALL CONTINUE TO DISCUSS
POSSIBILITIES WITH ALAHLI, NBK AND IBK OFFICIALS AS WELL AS
OTHERS. WOULD BE INTERESTED IN ANY SUGGESTIONS EXIM MAY HAVE
ON HOW TO PURSUE DIALOGUE BETWEEN NOW AND POSSIBLE VISIT OF
EXIM OFFICIALS LATER THIS YEAR.
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